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Wednesday, Jan 11, 2006

Politics XML

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Posted on Wed, Jan. 11, 2006

GENERAL ASSEMBLY

Tobacco tax would replace settlement funds

By John Stamper
HERALD-LEADER FRANKFORT BUREAU

FRANKFORT - A proposal to increase the amount of money Kentucky receives from cigarette makers could bring \$130 million more to the state annually without raising the price of cigarettes, according to advocates.

But opponents of the plan, which was all but endorsed by Gov. Ernie Fletcher in his State of the Commonwealth address Monday, say it would increase the price of cigarettes by \$3 or \$4 a carton.

"I think it puts farmers out of business. There's no question about it," said Rep. Rob Wilkey, D-Scottsville, general counsel for Bowling Green-based cigarette maker Commonwealth Brands.

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Sports

Entertainment	Under the proposal, outlined yesterday by the Council of Independent Tobacco
Business	Manufacturers of America, Kentucky would impose a new \$4-a-carton tax to replace the
Living	money it now receives under the Master Settlement Agreement, a deal that 46 states cut
Opinion / Letters	with cigarette makers in 1998.
ONLINE EXTRAS	Under the MSA, states agreed to drop lawsuits against the industry in exchange for
Past articles	payments of more than \$200 billion over 25 years.
Blogs	Most cigarette makers put about \$4 for each carton sold into the MSA, but Kentucky has not
Contests	received its fair share of those proceeds, according to Ron Tully, vice president of Louisville-
Discussion Boards	based National Tobacco.
Maps & Directions	Tully presented data to the House Appropriations and Revenue Committee that show
Photo gallery	Kentucky gets \$1.58 under the MSA for each carton of cigarettes sold in the state,
Q&A Forums	compared with \$12.21 in New York, \$8.55 in Massachusetts and \$6.85 in California.
RSS headlines	In all, New York receives 12.76 percent of MSA payments, compared with Kentucky's 1.76
Yellow Pages	percent.
SITE SERVICES	"That's because New York was at the negotiating table and Kentucky wasn't," said Tully,
Contact Us	who noted that then-Kentucky Attorney General Ben Chandler filed suit against tobacco
Advertise	companies only three days before a settlement was reached.
Buy photos	"It's a bad deal for our children ... it's a bad deal for our elderly ... it's a bad deal for our
 Contests	farmers ... it's a bad deal that needs to be revisited to see if there is a better way," Tully
 News Videos	said.
Going on vacation? Donate your newspapers to K.I.D.S. 800-999-8881 (Knowledge and Information Delivered to Students) » Newspaper In	Chandler defended the settlement yesterday, saying in a written statement that criticisms by Fletcher and others "demonstrates an utter lack of understanding of the bipartisan process that resulted in this complex legal settlement."
	He said that Kentucky negotiated "from a position of strength" and achieved "an excellent result for our agricultural community that I remain proud of."
	Kentucky is expected to receive \$91.3 million from the MSA in 2006, compared with an estimated \$224 million that would be generated under the alternative tax, Tully said.
	To cover the \$132 million difference, cigarette makers across the nation would need to raise prices by 1 cent a pack, at most, he said.

Education



Wilkey called Tully's projections "a complete fiction" and said the state has not been shortchanged by the MSA.

Small cigarette makers that are not part of the MSA, such as National Tobacco, are simply trying to push legislation that would give them an edge in the marketplace by forcing their competitors to make larger settlement payments, Wilkey said.

"It's not only unfair, but a lot better legal minds than those that were at the table today will tell you that it's unconstitutional," Wilkey said.

Wilkey and other opponents of the proposed tax are expected to present more information to the committee next Tuesday.

No legislation has been filed on the issue, although Rep. Harry Moberly, D-Richmond, the committee chairman, said he expects that a bill will be filed in coming weeks.

He and House Speaker Jody Richards, D-Bowling Green, said the topic should be explored further, but have not yet taken a stand.

Attorney General Greg Stumbo is expected to send a letter to legislators in the next seven to 10 days outlining a number of potential legal problems that could arise if Kentucky imposes an alternative tax on cigarette makers.

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Reach John Stamper at (859) 231-1305 or jstamper@herald-leader.com.



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